

Business Finance & Risk Management Test

Multiple Choice

Identify the choice that best completes the statement or answers the question.

- _____ 1. A profit and loss statement is another name for the _____.
a. statement of cash flow c. financial statement
b. balance sheet d. **income statement**
- _____ 2. An insurable risk is a risk that meets an insurance company's _____ for insurance coverage.
a. projection c. **criteria**
b. history d. timeline
- _____ 3. The total amount of money owed to a business is called _____.
a. liabilities c. anticipated income
b. **accounts receivable** d. equity
- _____ 4. A plan for the amount expected to be spent and earned over a given period of time is called a(n) _____.
a. working c. **operating**
b. start-up d. cash
- _____ 5. A review of accounting records and procedures is called a(n) _____.
a. **audit** c. financial plan
b. evaluation d. budget
- _____ 6. _____ is the present value of an asset less all claims against it.
a. Property c. **Equity**
b. Liability d. Balance
- _____ 7. Payroll, rent, and utility bills can be described _____ can be described as _____ expenses.
a. growth c. start-up
b. **operating** d. opening
- _____ 8. Insurance that offers financial protection for family members after someone dies is called _____ insurance.
a. liability c. health
b. **life** d. disability
- _____ 9. Creditors' claims to the assets of a business are called _____.
a. **liabilities** c. receivables
b. equities d. payables
- _____ 10. Fixed assets are items of value that _____.
a. are used for collateral c. have a fixed value
b. **will be held for more than one year** d. are attached to a building
- _____ 11. Money supplied by investors, banks, or owners of a business is called _____.
a. **capital** c. cash
b. financial input d. participation
- _____ 12. A pure risk is the threat of a loss with _____ for gain.
a. unlimited potential c. limited potential
b. **no opportunity** d. maximum opportunity
- _____ 13. The possibility of a catastrophe caused by a tornado is an example of _____.
a. **natural risk** c. human risk
b. employee risk d. uninsurable risk
- _____ 14. Controllable risk occurs when conditions can be controlled to _____ the chance of harm.
a. **minimize** c. eliminate
b. understate d. maximize

- ____ 15. The price an insured business pays for insurance protection for a specified time is called a _____.
a. fee c. **premium**
b. payment d. rate
- ____ 16. A risk that is unacceptable to insurance carriers because the likelihood of loss is too high is called _____ risk.
a. **uninsurable** c. excessive
b. maximum d. unacceptable
- ____ 17. _____ risk involves thinking about the consequences of decisions.
a. Transferring c. Reducing
b. **Avoiding** d. Retaining
- ____ 18. A risk is the _____ of loss or injury.
a. unknown source c. **possibility**
b. probability d. anticipation
- ____ 19. Insurance provides a way to _____ risk.
a. retain c. reduce
b. avoid d. **transfer**
- ____ 20. Bearing financial responsibility for the consequences of loss is called risk _____.
a. preservation c. conservation
b. maintenance d. **retention**
- ____ 21. The money that is available to a business at any given time are called _____.
a. revenues c. assets
b. liabilities d. **cash flows**
- ____ 22. Remodeling costs, security deposits, and legal permits can be described as _____ expenses.
a. operating c. opening
b. **start-up** d. growth
- ____ 23. Major sources of start-up capital for entrepreneurs are _____ resources, such as friends, family, and others.
a. conventional c. informal
b. casual d. **personal**
- ____ 24. There are _____ ways to handle risk.
a. five c. **four**
b. three d. two
- ____ 25. The _____ reflects the accounting equation.
a. statement of cash flow c. income statement
b. **balance sheet** d. financial statement
- ____ 26. A _____ plan usually consists of multiple documents that outline the essential financial facts about the new business.
a. **financial** c. development
b. marketing d. operating
- ____ 27. The systemic process of managing risk to achieve an objective is called _____.
a. insurance c. insurance underwriting
b. **risk management** d. risk calculation
- ____ 28. Educating employees about the safe use of equipment is an example of _____ risk.
a. avoiding c. transferring
b. **reducing** d. retaining
- ____ 29. If Assets total \$650,000 and Liabilities total \$525,000, how much Equity exists?
a. \$150,000 c. \$200,000
b. **\$125,000** d. \$25,000

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Answer Section

MULTIPLE CHOICE

- | | |
|------------|--------|
| 1. ANS: D | PTS: 1 |
| 2. ANS: C | PTS: 1 |
| 3. ANS: B | PTS: 1 |
| 4. ANS: C | PTS: 1 |
| 5. ANS: A | PTS: 1 |
| 6. ANS: C | PTS: 1 |
| 7. ANS: B | PTS: 1 |
| 8. ANS: B | PTS: 1 |
| 9. ANS: A | PTS: 1 |
| 10. ANS: B | PTS: 1 |
| 11. ANS: A | PTS: 1 |
| 12. ANS: B | PTS: 1 |
| 13. ANS: A | PTS: 1 |
| 14. ANS: A | PTS: 1 |
| 15. ANS: C | PTS: 1 |
| 16. ANS: A | PTS: 1 |
| 17. ANS: B | PTS: 1 |
| 18. ANS: C | PTS: 1 |
| 19. ANS: D | PTS: 1 |
| 20. ANS: D | PTS: 1 |
| 21. ANS: D | PTS: 1 |
| 22. ANS: B | PTS: 1 |
| 23. ANS: D | PTS: 1 |
| 24. ANS: C | PTS: 1 |
| 25. ANS: B | PTS: 1 |
| 26. ANS: A | PTS: 1 |
| 27. ANS: B | PTS: 1 |
| 28. ANS: B | PTS: 1 |